STRATEGY – SINGAPORE

Alpha Picks: Add AEM, KEP And SPOST, Remove AZTECH, BAL, CVL, FLT And SMM

In April, our Alpha Picks portfolio rose 1.9% mom and outperformed the STI which fell 1.5%. For May 22, we add AEM as we believe that it will benefit from Intel's aggressive capex plans while Keppel has meaningful upside after its merger and divestment announcements. We also include SingPost as a COVID-19 recovery play. We have also taken the opportunity to rationalise our portfolio by taking out a number of stocks that have performed well or lack share price catalysts.

WHAT'S NEW

- **Our Alpha Picks portfolio outperformed in April,** rising by 1.9% mom vs the STI's 1.5% decline. Key stocks that outperformed for us were Sembcorp Marine (+11% mom), CapitaLand Investment (+6%) and SIA Engineering (+5%), while ThaiBev (-4.2% mom) and Venture (-2.4%) underperformed.
- **Adding AEM, KEP and SPOST.** For May, we add AEM due to it being a beneficiary of Intel's aggressive capex plans while Keppel's inclusion stems from the large value accretion that we believe will materialise in the stock over the next 6-9 months post its recent merger and divestment announcement. Lastly, for Singapore Post, we like it as a COVID-19 recovery play as well as it potentially benefitting from lower operating costs as a result of increased air freight capacity.
- **Rationalising our portfolio.** We have removed stocks such as Aztech, Civmec and Frasers Logistics & Commercial Trust which lack share-price catalysts in the next few months, and also took out Bumitama as we believe that its near-term share price movement will remain hostage to the vagaries of palm oil export policies in Indonesia. While we continue to like Sembcorp Marine (+31% since inclusion into our portfolio), we believe that the risk-reward favours Keppel in the next 6-9 months.

ANALYSTS' ALPHA* PICKS

Analyst	Company	Rec	Performance#	Catalyst
Clement Ho	AEM	BUY	-	Beneficiary of Intel's aggressive capex
Jonathan Koh	Ascott Trust	BUY	25.4	A play on COVID-19 reopening in the EU & UK
Adrian Loh	CapitaLand Inv	BUY	13.7	Proxy to economic reopening after peak COVID-19, especially in lodging business
Jonathan Koh	Frasers L&C Trust	BUY	1.4	Exposure to e-commerce growth and sizeable sponsor pipeline
Vincent Khoo/ Jack Goh	Genting Singapore	BUY	1.3	A proxy to economic reopening with key catalysts, eg reopening of borders, better capital management and attractive 2023 yield
Adrian Loh	Keppel	BUY	-	Merger and divestment terms announced with material value accretion to the company
Llelleythan Tan	MM2	BUY	-3.0	Direct beneficiary of relaxation of COVID-19 restrictions in Singapore
Jonathan Koh	OCBC	BUY	8.7	Dividend yield expected to improve from 4.8% for 2021 to 5.4% for 2022
Roy Chen	SIA Engineering	BUY	4.7	Immediate beneficiary of increased number of flights
Llelleythan Tan	SingPost	BUY	-	COVID-19 recovery play, aided by expected lower air freight costs and higher freight capacity
Chong Lee Len & Chloe Tan	SingTel	BUY	12.6	Should re-rate post partial divestment of tower assets in Australia
Llelleythan Tan	Thai Beverage	BUY	4.6	Revival of Thai tourism; strong 1QFY22 results
John Cheong	Venture	BUY	-2.7	Robust demand outlook

** Denotes a timeframe of 1-3 months and not UOB Kay Hian's usual 12-month investment horizon for stock recommendation*
 # Share price change since stock was selected as Alpha Pick
Source: UOB Kay Hian

AEM Holdings – BUY (Clement Ho)

- **System-in-Package design shift to revolutionise semiconductor manufacturing.** Key customer Intel Corporation's (Intel) March IDM 2.0 strategy is a major bet that future

KEY RECOMMENDATIONS

Company	Rec*	------ Price (S$) ------ 29 Apr	Target	Up/(down) to TP (%)
AEM	BUY	4.81	5.60	16.4
Ascott Trust	BUY	1.16	1.29	11.2
CapitaLandInvest	BUY	4.23	4.13	(2.4)
Genting SP	BUY	0.81	1.08	33.3
Keppel Corp	BUY	6.87	10.11	47.2
MM2 Asia	BUY	0.065	0.115	76.9
O C B C	BUY	12.39	14.88	20.1
SIA Engineering	BUY	2.68	2.90	8.2
SingPost	BUY	0.715	0.86	20.3
SingTel	BUY	2.77	2.90	4.7
Thai Beverage	BUY	0.685	0.90	31.4
Venture Corp	BUY	17.15	22.80	32.9

** Rating may differ from UOB Kay Hian's fundamental view*
Source: UOB Kay Hian

CHANGE IN SHARE PRICE

Company	Rec	Apr 22 (% mom)	To-date* (%)
Ascott Trust	BUY	2.7	25.4
Aztech Gbl	BUY	0.0	10.7
Bumitama	BUY	2.6	1.3
CapitaLandInvest	BUY	6.0	13.7
Civmec	BUY	1.6	(5.1)
Frasers L&C Tr	BUY	(0.7)	1.4
Genting SP	BUY	(0.6)	1.3
MM2	BUY	0.0	(3.0)
Sembcorp Marine	BUY	11.2	31.3
SIA Engrg	BUY	5.1	4.7
SingTel	BUY	4.9	12.6
O C B C	BUY	0.1	8.7
ThaiBev	BUY	(4.2)	4.6
Venture	BUY	(2.4)	(2.7)
UOBKH Portfolio		1.9	
FSSTI		(1.5)	

** Share price change since stock was selected as alpha pick*
 # Dividend adjusted
Source: UOB Kay Hian

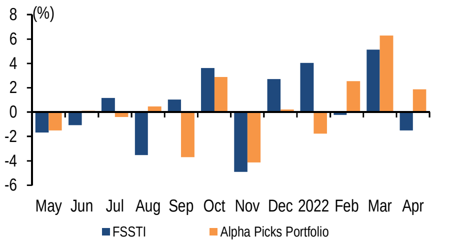
PORTFOLIO RETURNS (%)

	2021	Feb 22	Mar 22	Apr 22
FSSTI return	9.8	-0.2	5.1	-1.5
Alpha Picks Return				
- Price-weighted	4.4	-1.0	5.3	0.2
- Market cap-weighted	3.8	0.1	6.2	1.7
- Equal-weighted	3.9	2.5	6.3	1.9

Assumptions for the 3 methodologies:
1) *Price-weighted: Assuming same number of shares for each stock; a higher share price will have a higher weighting.*
2) *Market cap-weighted: Weighting based on the market cap at inception date; higher market cap = higher weighting.*
3) *Equal-weighted: Assuming same investment amount for each stock; every stock will have the same weighting.*

Source: UOB Kay Hian

PORTFOLIO RETURNS IN THE PAST 12 MONTHS
(WE OUTPERFORMED FSSTI 7 OUT OF 12 MONTHS)



Source: Bloomberg, UOB Kay Hian

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demand and profitability lie in the packaging of modular dies (or chips), known as “tiles”, which can squeeze more computing power within a single package. Driving towards that goal, Intel intends to build new fabrication plants (fabs) for these new “tiled” chips, and is expected to outsource the production of certain modules. Existing capacity has also been earmarked for the foundry services market.

- **Sustained demand for AEM’s total portfolio.** Intel’s decision to maintain old fabs and build new ones means that AEM will enjoy: a) steady demand for its consumables and services, b) recurring but cyclical demand for equipment upgrades at Intel’s old fabs, and c) demand for new equipment to test the new “tiled” chip products. That said, AEM provides mainly backend test equipment, where demand typically comes 6-9 months following the installation of front-end equipment at the new fabs. Additionally, management expects engagements with 10 of the top 20 global semiconductor companies to result in meaningful revenue contributions in 2H22 and beyond.
- **Acquisition of CEI to lead to cost savings.** We further estimate AEM to generate meaningful cost savings at the gross level of S$5.6m-9.0m a year, by in-sourcing some of its production activities to CEI Limited (CEI). At the entity level, CEI is expected to also contribute S$4.0m a year of incremental net profit to the overall group. We believe our estimates are conservative as we have not factored in further upside from capacity expansion in CEI’s box-build business.
- **We initiated coverage with BUY on 29 Apr 22.** We value the company at S$5.60/share, implying 15.6x 2022F earnings. Our valuation is at a premium to the Singapore peer average forward PE of 10.1x. More direct competitors listed in the US and Japan trade at an average of 18.8x forward earnings.

Share Price Catalysts

- **Events:** a) Higher-than-expected revenue growth rates, b) better-than-expected cost management, and c) earlier-than-expected integration synergies with CEI.
- Timeline: 6+ months.

Keppel Corp – BUY (Adrian Loh)

- **Landmark merger.** Keppel Corp’s (KEP) and SMM’s merger announced on 27 Apr 22 has been gestating for a long time. In our view, the merger benefits both parties, both in the short and long term. For KEP, the divestment of Keppel Offshore & Marine (KOM) will allow it to focus more on asset-light and/or recurring-fee businesses.
- **Value accretion in place.** KEP shareholders will realise approximately S$9.4b over time, comprising of: a) S$4.1b as consideration for the divestment of its legacy rigs and associated receivables, b) S$4.9b as the pro forma estimate of the value of KOM, and c) S$500m in cash from KOM to partially redeem certain perpetual securities previously issued to KEP. The transactions for KEP are more complicated relative to SMM’s given that KEP’s includes a transaction for its legacy rigs.
- **Upgrading target price.** We have upgraded our target price for KEP to S$10.11 on the back of the merger and divestment announcement. Given the relatively more complex nature of the transaction, it may take time for the value of the merger to be realised. However, we believe that KEP’s share price will react positively heading into the completion date in 4Q22.

Share Price Catalysts

- **Events:** a) Completion of merger with SMM and divestment of legacy rigs, and b) further divestment of non-core assets for capital recycling purposes.
- Timeline: 6+ months.

Singapore Post – BUY (Llelleythan Tan)

- **Full reopening of Singapore's international airways.** Starting 26 Apr 22, all fully-vaccinated travellers are able to enter Singapore quarantine-free, without the need for a pre-departure COVID-19 test. Under the new Vaccinated Travel Framework (VTF), Singapore's government has also removed the quota on the number of daily arrivals and the approval process for all travellers. With these measures in place, Singapore's government targets to restore air travel to 50% of pre-pandemic levels by end-22.
- **Improving supply-demand imbalance.** Monthly statistics from Changi Airport have shown that the number of commercial aircraft movements has improved since Singapore reopened its international borders, with Feb 22 and Mar 22 figures up ~62% yoy respectively. Although this is still at 35-40% of pre-pandemic levels, it is expected to improve to 50% by end-22. Additional freight capacity from the new VTF would help soften air conveyance costs further over the next 2-3 quarters.
- **Ramp-up in international volume.** SPOST utilises the belly hold of planes entering and leaving Singapore for its International Post and Parcel (IPP) segment. We opine that SPOST would start ramping up its IPP volume once air freight costs reach a commercially optimum level, which might be sometime in 2HFY23. With Changi Airport's status as a regional air hub, along with lower air freight costs, this would help boost IPP revenue when air travel recovers closer to pre-COVID-19 levels, as ~90% of SPOST's IPP revenue comes from transshipment revenue.
- **Relaxation of domestic social distancing measures.** As Singapore transitions to endemic living, the government has further eased its social distancing measures. Starting 26 Apr 22, there will no longer be a cap on group sizes and no safe-distancing is required among individuals. Also, MICE events and sporting events can restart, mask-wearing will be optional outdoors and all employees are allowed to return to the office. Tourist arrivals, footfall in retail malls and physical occupancy of offices are expected to improve as social mobility increases from relaxed social measures.

Share Price Catalysts

- **Events:** a) Pick-up in air travel volume, and b) lower-than-expected decline in domestic postal M&As.
- Timeline: 6+ months.

SIA Engineering – BUY (Roy Chen)

- **An immediate beneficiary of increasing flight activities.** SIA Engineering Company's (SIAEC) line maintenance service (about 50% of its pre-COVID-19 revenue) would immediately benefit from airlines' increasing flight activities at Changi Airport. With Changi Airport reporting strong operating statistics in Mar 22 (flight movements rose 21.1% mom/63.0% yoy) coupled with Singapore Airlines' positive guidance (passenger capacity to recover to 61% of pre-COVID-19 levels by May 22) reaffirms SIAEC's business recovery.
- **Positive core profit around the corner.** SIA is likely to regain positive core net profit (ie excluding government grants) within the next 1-2 quarters. The consistent narrowing of core net losses over the past five quarters is an encouraging sign.
- **Still benign valuation.** SIAEC is our top pick for the Singapore aviation sector. Despite the recent share price outperformance (+15% since our re-initiation in late-Mar 22), SIAEC's valuation remained benign. Current trading price implies a FY25 (normalised year) P/E of 16.1x (12.4x if ex-net-cash), which is 1.9SD below its FY14-19 (pre-COVID-19 years) average PE of 23.2x. We have recently raised our FY23 DCF-based target price for SIAEC to S$2.90 (S$2.80 previously).

Share Price Catalysts

- **Events:** a) Positive news flow on the Singapore aviation sector's recovery, and b) continuously improving core earnings in the next few quarters.

- Timeline: 3-6 months.

Venture – BUY (John Cheong)

- **Anticipates robust demand outlook.** In its recent 2021 results, Venture Corporation (VMS) highlighted that it expects a robust demand outlook based on customers' orders and forecasts across various technology domains. Positive market momentum is also visible across instrumentation, test and measurement, networking and communications. In the list of VMS' customers that we track, all the customers are guiding for revenue growth for 2022. More importantly, we believe VMS could capture higher growth than its customers' revenue growth, given its ability to provide customised solutions for new product launches and entrance into new high growth domains including semiconductor and electric vehicles.
- **Easing of border restrictions globally** should help improve component shortages. In Feb 22, Hon Hai, the biggest assembler of iPhones, highlighted that a major improvement in part shortages is likely in the first quarter, with "overall supply constraints" set to ease in the second half of the year. In addition to this, the further easing of border restrictions globally should help to improve the component shortage issues, from easier access to labour and reduction of air freight rate.
- **Positive signal from recent share purchases by Executive Chairman.** On 8 Nov 21, Mr Wong Ngit Leong, the Executive Chairman and largest shareholder of VMS, acquired 200,000 shares at S$18.73/share. Previously, his acquisition of 566,300 shares at an average price of S$14.45/share from Jul-Sep 17 turned out to be a strong positive signal as VMS's share price hit an all-time high of S$29.50 in Apr 18.
- **Attractive valuation at 13x 2022F ex-cash PE.** Our target price of S$22.80 is pegged to 19.5x 2022F earnings, +1SD above its forward mean PE. At the current price, VMS offers an attractive dividend yield of 4.5%.

Share Price Catalysts

- **Events:** a) Better-than-expected earnings or dividend surprise, and b) potential takeover.
- Timeline: 3-6 months.

MM2 – BUY (Llelleythan Tan)

- **Cinematic recovery.** Domestic cinema attendance is poised for recovery as Singapore completely removed capacity limits in cinemas starting 26 Apr 22. May 22 is set to see a strong line-up of blockbuster movies with highly anticipated Marvel movies helping to boost ticket sales. Dining-in and food and beverage consumption in cinemas, a large and vital contributor of revenue, has also been permitted in both countries.
- **Robust core production pipeline.** Over the next 2-3 years, mm2's core production pipeline remains sizeable, amounting to S$150m-190m. Currently, the group has over 30 projects that are in various stages of development, production and distribution. As production of films/tv series ramps up in FY22, mm2 is set to produce and distribute highly anticipated titles in new and existing markets.
- **Restart of live in-person concerts.** In-person concerts/shows have resumed as more countries gradually ease restrictions. Unusual Entertainment (Unusual) has already started producing sold-out shows and concerts in 1HFY22 and is expected to reveal more concerts in 2H2022. The recently announced Justin Bieber concert was sold out in one day, implying strong pent-up domestic demand for live in-person concerts.
- **Spinoff of cinema business.** mm2 is still exploring other ongoing options that include an IPO of its wholly-owned cinema business sometime in 2HFY22. Assuming mm2 sells more than 50% of Cathay, a spinoff listing would help mm2 restructure its debt as almost all of mm2's debt would be tagged to Cathay once it becomes an associate company.

Share Price Catalysts

- **Events:** a) Film production delivery, b) full-easing of COVID-19 measures, and c) spinoff of the cinema business.
- Timeline: 3-6 months.

CapitaLand Investment – BUY (Adrian Loh)

- **Exciting growth in its fund management platform.** CapitaLand Investment (CLI) has >S$120b in AUM which makes it one of the largest real estate invesment managers in Asia. Of this, S$86b are funds under management (FUM) and the company has plans to grow this to over S$100b by 2023/24. We forecast FUM fee income to grow at a 13% CAGR over 2021-24. In addition, the company has >S$10b in assets that it will look to monetise in the next few years. We have a BUY rating on CLI with a SOTP-based target price of S$4.13.
- **Lodging – Potentially a major earnings driver in 2022.** While this business continued to experience difficult operating conditions in 2021, CLI nevertheless still progressed the build-out of its long-stay business as well as the moving into adjacent segments such as purpose build student accommodation (72% of its lodging investment in 2021 was in this segment). Over the next 12-18 months, we should see the return of international travel which should then allow margin expansion in CLI's lodging assets as well as higher ROE. During the analyst call, management stated that this business could generate about S$150m in EBITDA vs our current 2022 and 2023 estimate of S$48m and S$78m respectively. The company is targeting 160,000 lodging units in 2023 vs 133,000 in 2021.
- **A strong set of maiden results.** In late-Feb 22, CLI reported 2021 core PATMI of S$497m (+12% yoy) that was slightly ahead of our expectations. Importantly, the strong numbers were the result of a broad-based recovery in CLI's assets with higher contributions from both its fee-income-related business as well as its real estate investment business.

Share Price Catalysts

- **Events:** a) Evidence of earnings growth in lodging business, and b) growth in FUM at Apr 22's business update.
- Timeline: 3-6 months.

Thai Beverage – BUY (Llelleythan Tan)

- **Complete removal of COVID-19 tests.** Shortly after scrapping the need for a negative pre-departure PCR test in Apr 22, Thailand would now eliminate on-arrival testing for all vaccinated travellers from 1 May 22 onwards. The minimum insurance coverage required was also further reduced from US$20,000 to US$10,000. In Vietnam, the country has fully reopened its international borders since 15 Mar 22, whereby only one negative PCR (72 hours pre-departure) or ART test (24 hours pre-departure/upon arrival) is required before entering the country quarantine-free.
- **Transition to endemic living.** With the removal of the "Test & Go" Scheme starting 1 May 22, the cancellation of "Thailand Pass" registration scheme is expected to take place next on 1 Jun 22, streamlining the travel process for international travellers. Thailand's authorities announced plans to debate allowing the kingdom's nightlife industry to reopen fully and legally which would lead to a revival in the country's bustling nightlife and alcohol consumption volumes.
- **More time to get drunk.** Starting 1 May 22, Thailand's authorities have extended its alcohol curfew, implying that alcohol can now be served at restaurants and eateries till midnight from 11pm previously. Also, the country is planning to re-designate 18 orange zones to yellow zones, increasing the number of provinces allowed to serve alcohol from 47 to 65. Bangkok has eased restrictions for MICE events whereby alcoholic drinks can now be served.

Share Price Catalysts

- **Events:** a) BeerCo IPO, and b) potential spin-off listing, and c) full reopening of bars in Vietnam and Thailand.
- Timeline: 6+ months.

Oversea-Chinese Banking Corporation – BUY (Jonathan Koh)

- **Strategy refresh.** Oversea-Chinese Banking Corporation (OCBC) plans to tap on four growth drivers: a) rising wealth in Asia through hubs in Singapore and Hong Kong, b) ASEAN-China trade and investment flows, c) new economy and high-growth industries, and d) transition to a sustainable low carbon world. It will invest to strengthen its comprehensive regional franchise and accelerate digital transformation. Management aims to achieve growth at CAGR of above 10%.
- **Guidance for 2022.** Management guided mid to high single-digit loan growth for 2022. The magnitude of loan growth depends on whether higher inflation affects customers' expansion plans and how severely economic growth slowdown in respond to higher interest rates. NIM is expected to be higher at 1.55-1.58% (2021: 1.54%). Credit costs are expected to be 20-25bp (2021: 29bp).
- **Benefitting from higher interest rates.** We expect successive hikes of 50bp during upcoming FOMC meetings on 3-4 May and 14-15 June. We have factored in the impact of Fed Funds Rate rising to 2.5% by end-22. We expect NIM to improve to 1.58% in 2022 and expand 13bp to 1.71% in 2023. We forecast earnings growth of 8.6% in 2023 and 6.5% in 2024.
- **Maintain BUY.** Our target price of S$14.88 is based on 1.20x 2023F P/B, derived from the Gordon Growth Model (ROE: 9.8%, COE: 8.25%, growth: 0.5%).

Share Price Catalysts

- **Events:** a) OCBC's dividend yield improving from 4.5% for 2022 to 4.8% for 2023, and b) OCBC benefitting from NIM expansion in 2H22.
- Timeline: 6-12 months.

Ascott Residence Trust – BUY (Jonathan Koh)

- **The sixth consecutive quarter of sequential recovery.** Recovery resumes in March. RevPAU increased 22% yoy to S$67 in 1Q22, powered by higher occupancy and recovery in average daily rate. Jan-Feb 22 was affected by restrictions imposed to control the spread of the Omicron variant. ART benefitted from strong pick-up in Mar 22 in countries with large domestic markets, such as the US, the UK, Japan and Australia, due to pent-up demand. International corporate and leisure bookings are recovering as more countries reopen their borders to vaccinated travellers.
- **Value creation through asset recycling.** Ascott Residence Trust (ART) divested six properties at an average exit yield of 2% and total proceeds of S$580m. The capital freed up was reinvested in 11 yield-accretive rental housing and student accommodation properties for total consideration of S$780m and an average EBITDA yield of 5%. ART's longer-stay assets currently account for 16% of assets under management (AUM). Occupancy for its student accommodation properties was close to 100%.
- **Setting sights on a higher goal.** Management plans to raise the asset allocation target in longer-stay assets by 10ppt from 15-20% to 25-30% in the medium term.
- **Reiterate BUY.** Our target price of S$1.29 is based on DDM (cost of equity: 6.5% and terminal growth of 1.8%)..

Share Price Catalysts

- **Events:** a) Easing of travel restrictions and reopening of borders globally, and b) yield-accretive acquisitions in the student accommodation and rental-housing space.

- Timeline: 6-12 months.

Singapore Telecommunications – BUY (Chong Lee Len & Chloe Tan)

- **Monetisation of Optus tower asset for A$1.9b.** Optus' sale of a 70% stake in Australia Tower Network (ATN – a wholly-owned subsidiary that houses Optus' towers) to AustralianSuper for A$1.9b values ATN at 38x FY21 EV/EBITDA, or EV/sites of about A$1m/tower. This is a premium vs Telstra's recent tower sales and appealing vs traditional telco multiples of 8-12x EV/EBITDA, with the premium being reflective of the loss of control by Optus (which will retain only a 30% minority stake after the divestment).
- **The endgame: A regional digital infra player.** Beyond unlocking value, the long-term goals for Singtel are to: a) drive organic growth through strong management, b) partner with capital providers to expand regionally, and c) focus on smart capital management to potentially explore JVs. This will allow them to set a regional digital infrastructure platform across multiple asset classes.
- **Positive monetisation exercise.** We are positive on the monetisation exercise to drive a future data centre portfolio worth S$7b-8b. To recap, Singtel will continue to execute its strategic reset targets, following the repositioning of Amobee and Trustwave in May 21 and its digital infrastructure strategy. The focus will include: a) capitalising the digital/IT growth trend via strategic partnerships, b) leveraging its infrastructure assets (data centres, towers and fibre) to unlock value, c) sweating its key assets, and d) investing in 5G for network superiority and future monetisation. This is expected to help Singtel bridge the current market valuation gap as a conglomerate.
- **Maintain BUY with a DCF-based target price of S$2.90** (discount rate: 7%, growth rate: 1.5%). At our target price, the stock will trade at 13x FY22F EV/EBITDA (five-year mean EV/EBITDA). The stock is trading at 1SD below its five-year mean EV/EBITDA of 13x.

Share Price Catalysts

- **Events:** a) Successful monetisation of 5G, and b) faster-than-expected recovery in Optus' consumer and enterprise businesses.
- Timeline: 6-12 months.

Genting Singapore – BUY (Vincent Khoo, Jack Goh)

- **Market will eventually price in 2022-23 recovery.** Genting Singapore (GENS) is a major direct beneficiary of Singapore's COVID-19 national vaccination programme and reopening of the economy. We believe that valuations will partially factor in GENS' return to pre-pandemic earnings dynamics. We have a BUY rating on GENS with a target price of S$1.08 which implies a 2022E EV/EBITDA of 8.8x, or -0.5SD to its historical mean.
- **Towards restoration of normalcy.** While the relaxation of COVID-19 measures from Apr 22, Resorts World Sentosa (RWS) has been allowed to operate with higher gaming capacity. We expect more inbound travel from 2Q22 onwards which will eventually benefit GENS as international patronage rebounds.
- **Significantly better capital management moving forward.** With GENS finally dropping its decade-long pursuit of clinching a pricey Japan integrated resort (IR) concession, and with no new compelling projects to consider, management is targeting to enhance capital management and to develop a dividend policy. Theoretically, the scope of the company's capital management can be significant, considering its net cash of S$3.3b (27 S cents/share) and that post-pandemic EBITDA is largely sufficient to fund its S$4.5b RWS 2.0 expansion.
- **Lush prospective yields.** We expect GENS' dividend yield to normalise to 4.7% in 2023, assuming revenue and cash flows recover back to pre-pandemic levels, and that GENS restores its 2019 dividend payout level of 4.0 S cents.

Share Price Catalysts

- **Events:** a) Wide dispensation of COVID-19 vaccines which will allow herd immunity, b) initiation of more Vaccinated Travel Lanes between Singapore and neighbouring countries, and c) appealing 2023 yield of >4%.
- Timeline: 3-6 months.

VALUATION OF ALPHA PICKS PORTFOLIO

Company	Ticker	Rec*	Price 29 Apr 22 (S$)	Target Price (S$)	Upside To TP (%)	Last Year End	PE 2021A (x)	PE 2022E (x)	PE 2023E (x)	Yield 2022E (%)	ROE 2022E (%)	Market Cap. (S$m)	Price/ NTA ps (x)
AEM	AEM SP	BUY	4.81	5.60	16.4	12/21	15.1	13.4	11.3	1.8	25.6	1,487.3	3.7
Ascott Trust	ART SP	BUY	1.16	1.29	11.2	12/21	49.6	41.0	26.3	4.7	2.2	3,808.9	1.0
CapitaLandInvest	CLI SP	BUY	4.23	4.13	(2.4)	12/21	11.0	13.8	12.3	2.8	6.7	21,779.6	1.4
Genting SP	GENS SP	BUY	0.81	1.08	33.3	12/21	53.3	27.2	14.1	3.1	4.5	9,778.3	1.2
Keppel Corp	KEP SP	BUY	6.87	10.11	47.2	12/21	12.2	14.7	13.6	2.8	7.1	12,363.1	1.1
MM2 Asia	MM2 SP	BUY	0.065	0.115	76.9	3/21	n.a.	12.2	6.6	0.0	5.8	181.4	0.6
O C B C	OCBC SP	BUY	12.39	14.88	20.1	12/21	11.6	11.7	10.2	4.5	8.9	55,938.7	1.1
SIA Engineering	SIE SP	BUY	2.68	2.90	8.2	3/21	44.1	29.4	21.1	2.2	6.2	3,008.4	1.9
SingPost	SPOST SP	BUY	0.715	0.86	20.3	3/21	20.7	17.0	13.8	4.2	5.5	1,608.4	1.3
SingTel	ST SP	BUY	2.77	2.90	4.7	3/21	22.5	17.9	16.1	4.1	9.3	45,727.1	1.7
Thai Beverage	THBEV SP	BUY	0.685	0.90	31.4	9/21	16.3	16.1	15.7	3.0	14.9	17,207.8	2.5
Venture Corp	VMS SP	BUY	17.15	22.80	32.9	12/21	16.0	14.7	13.5	4.7	12.3	4,985.1	1.8

** Fundamental rating and not related to the relatively shorter term Alpha Picks recommendation*
Source: UOB Kay Hian

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